

412
OPEN MEETING



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MEMORANDUM

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Arizona Corporation Commission

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TO: THE COMMISSION

FROM: Utilities Division

MAY 08 2001

AZ CORP COMMISSION
DOCUMENT CONTROL

DATE: May 7, 2001

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RE: ARIZONA PUBLIC SERVICE COMPANY - APPLICATION FOR APPROVAL OF
STATION USE SERVICE TARIFF, SCHEDULE E-36. (DOCKET NO. E-01345A-
01-0249)

On March 22, 2001, Arizona Public Service Company ("APS") filed an application for approval of a new tariff, Station Use Service (E-36). On April 4, 2001, the Commission suspended the application for a period of sixty days. The proposed tariff would apply to large generating facilities with a load requirement of three MW or greater that require start-up and auxiliary power. Auxiliary power is needed to run station equipment that supports the operation of the generating unit. Auxiliary facilities include items such as water pumps and oil circulation pumps. E-36 would primarily apply to large merchant generating units but would also be available to distributed generators. Seven of the eleven merchant plants that have received authority to operate in Arizona are in APS' service territory.

APS currently has a tariff, Electric Service for Partial Requirements Service 3,000 kW or greater (E-55). Schedule E-55 applies to customers who require standby power, maintenance power, supplemental power or any combination of these. Current merchant plants in APS' territory could take service under E-55. However, this rate schedule was intended for customers who install peak-shaving generation or self-generation. The E-55 rate was not designed to take into account start-up and auxiliary service for merchant power plants. No customer has ever taken service under schedule E-55. APS also has a tariff, Partial Requirements General Service (E-32-R). Schedule E-32-R applies to customers who require standby power and is more applicable to meet the load characteristics of merchant generators than E-55.

Rates under the proposed schedule E-36 include a monthly basic service charge of \$6,100.00, a metering charge of 1.29 percent of the total metering cost, and a transmission and distribution charge of \$1.43 per kW if the power is taken at transmission voltage levels (69kV or higher), \$4.42 per kW if the power is taken at primary distribution voltage levels (12.5 kV to below 69 kV) and \$4.58 per kW if the power is taken at secondary distribution voltage levels (less than 12.5 kV). The energy charge under E-36 is APS' system incremental cost plus \$0.0005 and therefore will cover APS' marginal cost.

Savings on schedule E-36 over E-32-R or E-55 would vary depending on each plant's individual characteristics. The customers benefiting the most would be generating facilities connecting at transmission voltage levels of 69 kV or higher. The majority of the generating

THE COMMISSION

May 7, 2001

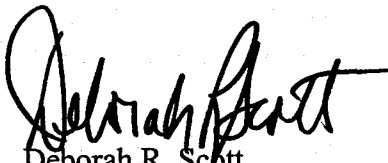
Page 2

facilities being sited in Arizona plan to take service at transmission voltage levels of 69 kV or higher. Schedule E-36 is based on APS' system incremental cost which is tied directly to APS' cost for generation and/or APS' purchased power. It would be highly unlikely that market conditions would produce a market price in an amount that would reduce the savings under E-36 as compared to E-55 or E-32-R. APS' affiliated competitive generating facilities will also be taking service under schedule E-36.

APS has indicated that its definition for system incremental cost is as follows:

System Incremental Cost shall be computed as the weighted average price of the highest dispatchable generation resource and/or third party purchase made by APS' real time operators to serve the specific customer.

Staff recommends approval of Station Use Service Tariff, Schedule E-36 with the definition of system incremental cost incorporated into the tariff. Staff further recommends that APS file tariff pages consistent with the terms of this Decision within 15 days from the effective date of the Decision.



Deborah R. Scott
Director
Utilities Division

DRS:EAA:BEK:lh\TIW

ORIGINATORS: Erinn Andreasen and Barbara Keene

1 **BEFORE THE ARIZONA CORPORATION COMMISSION**

2 WILLIAM A. MUNDELL
Chairman

3 JIM IRVIN
Commissioner

4 MARC SPITZER
Commissioner

5
6 IN THE MATTER OF ARIZONA PUBLIC
SERVICE COMPANY – APPLICATION FOR
7 APPROVAL OF STATION USE SERVICE
TARIFF, SCHEDULE E-36
8

DOCKET NO. E-01345A-01-0249

DECISION NO. _____

ORDER

9 Open Meeting
May 22 and 23, 2001
10 Phoenix, Arizona

11 BY THE COMMISSION:

12 **FINDINGS OF FACT**

13 1. Arizona Public Service Company (“APS”) is certificated to provide electric service as
14 a public service corporation in the State of Arizona.

15 2. On March 22, 2001, APS filed an application for approval of a new tariff, Station Use
16 Service (E-36). On April 4, 2001, the Commission suspended the application for a period of sixty
17 days. The proposed tariff would apply to large generating facilities with a load requirement of three
18 MW or greater that require start-up and auxiliary power. Auxiliary power is needed to run station
19 equipment that supports the operation of the generating unit. Auxiliary facilities include items such
20 as water pumps and oil circulation pumps.

21 3. E-36 would primarily apply to large merchant generating units but would also be
22 available to distributed generators. Seven of the eleven merchant plants that have received authority
23 to operate in Arizona are in APS' service territory.

24 4. APS currently has a tariff, Electric Service for Partial Requirements Service 3,000 kW
25 or greater (E-55). Schedule E-55 applies to customers who require standby power, maintenance
26 power, supplemental power or any combination of these. Current merchant plants in APS' territory
27 could take service under E-55. However, this rate schedule was intended for customers who install
28 peak-shaving generation or self-generation. The E-55 rate was not designed to take into account start-

1 up and auxiliary service for merchant power plants. No customer has ever taken service under
2 schedule E-55. APS also has a tariff, Partial Requirements General Service (E-32-R). Schedule
3 E-32-R applies to customers who require standby power and is more applicable to meet the load
4 characteristics of merchant generators than E-55.

5 5. Rates under the proposed schedule E-36 include a monthly basic service charge of
6 \$6,100.00, a metering charge of 1.29 percent of the total metering cost, and a transmission and
7 distribution charge of \$1.43 per kW if the power is taken at transmission voltage levels (69kV or
8 higher), \$4.42 per kW if the power is taken at primary distribution voltage levels (12.5 kV to below
9 69 kV) and \$4.58 per kW if the power is taken at secondary distribution voltage levels (less than 12.5
10 kV). The energy charge under E-36 is APS' system incremental cost plus \$0.0005 and, therefore, will
11 cover APS' marginal cost.

12 6. Savings on schedule E-36 over E-32-R or E-55 would vary depending on each plant's
13 individual characteristics. The customers benefiting the most would be generating facilities connecting
14 at transmission voltage levels of 69 kV or higher. The majority of the generating facilities being sited
15 in Arizona plan to take service at transmission voltage levels of 69 kV or higher. Schedule E-36 is
16 based on APS' system incremental cost which is tied directly to APS' cost for generation and/or APS'
17 purchased power. It would be highly unlikely that market conditions would produce a market price
18 in an amount that would reduce the savings under E-36 as compared to E-55 or E-32-R. APS'
19 affiliated competitive generating facilities will also be taking service under schedule E-36. APS has
20 indicated that its definition for system incremental cost is as follows:

21 System Incremental Cost shall be computed as the weighted
22 average price of the highest dispatchable generation resource
23 and/or third party purchase made by APS' real time operators to
 serve the specific customer.

24 7. Staff recommends approval of Station Use Service Tariff, Schedule E-36 with the above
25 definition of system incremental cost incorporated into the tariff. Staff further recommends that APS
26 file tariff pages consistent with this recommendation within 15 days from the effective date of the
27 Decision.

28 ...

CONCLUSIONS OF LAW

1. APS is an Arizona public service corporation within the meaning of Article XV, Section 2, of the Arizona Constitution.

2. The Commission has jurisdiction over APS and over the subject matter of the application.

3. Approval of the proposed tariff does not constitute a rate increase as contemplated by A.R.S. Section 40-250.

4. The Commission, having reviewed the application and Staff's Memorandum dated May 7, 2001, concludes that it is in the public interest to approve the tariff.

ORDER

THEREFORE, IT IS ORDERED that the proposed tariff is approved, conditioned upon APS filing tariff pages consistent with Staff's recommendation in Findings of Fact No. 7.

IT IS FURTHER ORDERED that this Decision shall become effective immediately.

BY ORDER OF THE ARIZONA CORPORATION COMMISSION

CHAIRMAN

COMMISSIONER

COMMISSIONER

IN WITNESS WHEREOF, I, BRIAN C. McNEIL, Executive Secretary of the Arizona Corporation Commission, have hereunto, set my hand and caused the official seal of this Commission to be affixed at the Capitol, in the City of Phoenix, this _____ day of _____, 2001.

BRIAN C. McNEIL
Executive Secretary

DISSENT: _____

DRS.EAA:lh\TIW

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